

Message Text

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ACTION EB-08

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BRUSSELS FOR FAA

ROME FOR RCAA

E.O. 11652: N/A
TAGS: EFIN, EAIR, EG
SUBJ: FINANCING FOR WIDE-BODIED AIRCRAFT SALE TO EGYPT

REF: CAIRO 11243

1. REPRESENTATIVES OF LOCKHEED AIRCRAFT CORPORATION CALLED AT EMBASSY RECENTLY, FOLLOWING A DISCUSSION WITH EGYPTAIR VICE PRESIDENT FOR CORPORATE PLANNING ZIMEITY ABOUT AIRLINE'S PLANS FOR ACQUISITION OF WIDE-BODIED AIRCRAFT. ZIMEITY HAD PRESENTED THEM WITH DETAILED DOCUMENT ON EGYPTAIR'S CURRENT AND PROJECTED OPERATIONS, ON BASIS OF WHICH LOCKHEED (AND ITS COMPETITORS BOEING, MCDONNELL-DOUGLAS AND PRODUCERS OF A-300 AIRBUS) ARE TO BASE THEIR PROPOSALS FOR PROVIDING AIRCRAFT TO COMPANY.

2. LOCKHEED REPS TOLD US THAT IN DISCUSSION WITH ZIMEIT. LATTER EMPHASIZED IMPORTANCE OF ATTRACTIVE FINANCING IN
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MAKING SALE, AND APPEARED TO BELIEVE U.S. FIRMS WOULD HAVE NO DIFFICULTY IN OBTAINING SUBSTANTIAL COMMITMENT OF FUNDS FROM EX-IM BANK TO HELP MAKE THEIR OFFERS APPEALING. ZIMEITY REFERRED DURING CONVERSATION WITH LOCKHEED TO CLOSE POLITICAL RELATIONSHIP WHICH NOW EXISTS BETWEEN EGYPT AND THE UNITED STATES, APPARENTLY LINKING THIS WITH FINANCING POSSIBILITIES. HE ALSO

RECALLED RECENT VISIT OF RCAA DWOR AS INDICATING STRONG
USG INTEREST IN WIDE-BODIED SALE TO EGYPTAIR.

3. LOCKHEED REPS WERE INTRIGUED BY ZIMEITY'S POSITIVE
REFERENCES TO POSSIBILITY OF EX-IM BANK FINANCING FOR
AIRCRAFT SALE AND WISHED TO HAVE EMBASSY COMMENT ON
LIKELIHOOD THAT SUCH FINANCING WOULD BE FORTHCOMING.
EMBOFF SAID THAT EMBASSY HAS NO PRESENT INDICATION THAT
EX-IM BANK, EXCEPT IN SPECIAL CIRCUMSTANCES, IS
PREPARED PROVIDE FINANCING FOR SALES TO EGYPT. BANK
OFFICIALS HAD INDICATED THAT IF AN EGYPTIAN LOAN WERE,
FOR EXAMPLE, BACKED BY UNCONDITIONAL GUARANTEE OF REPAY-
MENT BY AN APPROPRIATE INSTITUTION OR ENTITY WITH
ASSETS OUTSIDE EGYPT, THEY MIGHT BE WILLING CONSIDER A
COMMITMENT HERE. BUT ABSENT THIS OR SOME OTHER SPECIAL
ARRANGEMENT ACCEPTABLE TO BANK, EMBOFF SAID, IT APPEARS
UNLIKELY ON BASIS OF INFORMATION AVAILABLE TO EMBASSY
THAT EX-IM FUNDS WOULD BE FORTHCOMING. EMBOFF SUGGESTED,
HOWEVER, THAT LOCKHEED HEADQUARTERS IN U.S. INQUIRE
DIRECTLY OF BANK ON ITS VIEWS.

4. LOCKHEED REPS SAID COMPANY HAD RECENTLY BEEN IN
TOUCH WITH EX-IM TO DISCUSS FINANCING POSSIBILITIES FOR
EGYPT, BUT RESPONSE RECEIVED HAD NOT BEEN SUCH AS TO
ENCOURAGE OPTIMISM. IT WAS COMPANY'S UNDERSTANDING
THAT AFTER RECENT EX-IM BANK REVIEW OF LENDING POLICY
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FOR EGYPT, DECISION WAS TAKEN TO MAINTAIN PRESENT
POSTURE OF GENERALLY NOT MAKING LOANS HERE. COMPANY
WOULD, HOWEVER, MAKE FOLLOW UP INQUIRY AT BANK.
LOCKHEED REPS NOTED THAT EVEN IN UNLIKELY EVENT EX-IM
BANK PARTICIPATED IN LOAN, U.S. COMPETITORS WOULD
PROBABLY NOT BE ABLE TO MATCH TERMS WHICH A-300 AIRBUS
GROUP LIKELY TO OFFER.

5. QUITE APART FROM QUESTION OF FINANCING, LOCKHEED
REPS EXPRESSED THOUGHT THAT ON THE WHOLE,
U.S. MANUFACTURERS ARE NOT IN STRONG POSITION TO SUCCEED
IN MAKING WIDE-BODIED SALE TO EGYPTAIR. PRINCIPAL
REASON FOR THIS CONCLUSION IS THAT ROUTE STRUCTURE SHOWN
IN EGYPTAIR PLANNING DOCUMENT WHICH HAD BEEN PROVIDED
TO MANUFACTURERS CONCENTRATES ON CITIES IN EUROPE AND
MIDDLE EAST, FOR WHICH RANGE OF AIRBUS IS PARTICULARLY
WELL-SUITED. EGYPTAIR APPARENTLY WILL NOT SEEK PROVIDE
TRANSATLANTIC SERVICE--FOR WHICH AIRCRAFT OF U.S.-MADE
TYPE WOULD BE REQUIRED--UNTIL PERHAPS 1985. WITH AN
ATTRACTIVE FINANCING PACKAGE, HOWEVER, U.S. FIRMS
WOULD HAVE AT LEAST AN OUTSIDE CHANCE FOR WIDE-BODIED
SALE. EILTS

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